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THE BENGAL CHAMBER

GST Simplified

Taxes shouldn't be taxing

December 2016

THE GOODS AND SERVICE TAX

Definition

GST stands for "Goods and Services Tax", and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace almost all indirect taxes levied on goods and services by the Indian Central and State governments. Quite literally, GST (Goods and Services Tax) is a tax borne by the ultimate consumer.

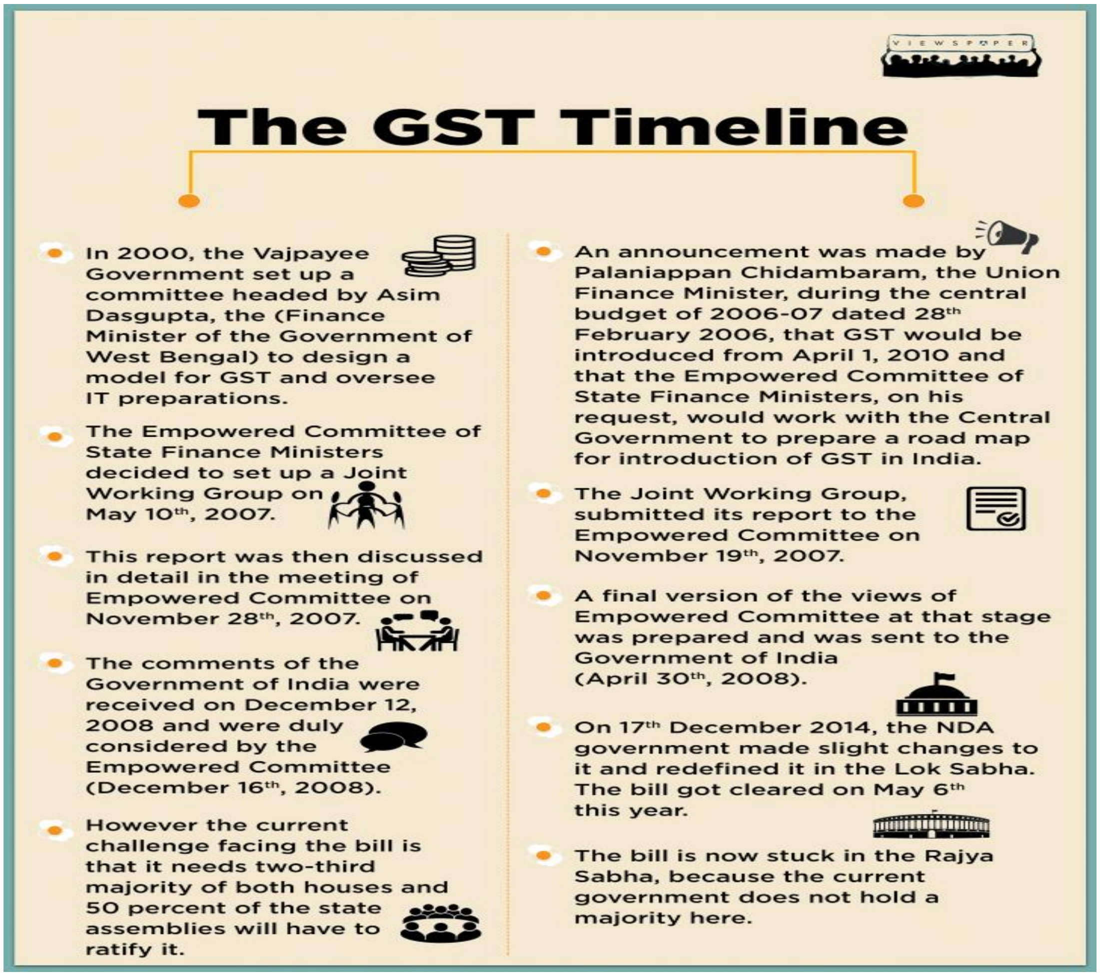
Origin

The **goods and services tax** (GST) is a multi-level value added tax introduced in Canada on January 1, 1991, by then-Prime Minister Brian Mulroney and his finance minister Michael Wilson. The GST replaced a hidden 13.5% manufacturers' sales tax (MST); Mulroney claimed the GST was implemented because the MST was hindering the manufacturing sector's ability to export competitively. The introduction of the GST was very controversial. The country's GST rate is 5%, effective January 1, 2008.

Why India felt the need for GST?

The current tax regime is riddled with indirect taxes which the GST aims to subsume with a single comprehensive tax, bringing it all under a single umbrella. It aims to eliminate the cascading effect of taxes on production and distribution prices on goods and services. The present structure of Indirect Taxes is very complex in India. There are so many types of taxes that are levied by the Central and State Governments on Goods & Services. We have to pay 'Entertainment Tax' for watching a movie, Value Added Tax (VAT) on purchasing goods and services. There are Excise Duties, Import Duties, Luxury Tax, Central Sales Tax, Service Tax. As of today some of these taxes are levied by the Central Government and some by the State Governments. It has been long pending issue to streamline all the different types of indirect taxes and implement a single taxation system in India. This system is called Goods and Service Tax (GST) and the main expectation from this system is that it will abolish all indirect taxes and only GST will be levied on both goods and services.

The timeline of GST Implementation



Recent Developments

March 2015: Then Kerala FM KM Mani appointed chairman of the committee.

May 2015: LS passes the bill. Bill tabled in the Rajya Sabha , referred to select panel.

July 2015: Select panel report tabled in RS, recommends dilution of additional 1% tax on inter-state movement of goods. Cabinet clears revised bill .Government continues negotiations with the congress to bring it on board.

December 2015: Panel, headed by Chief Economic Advisor Arvind Subramaniam , submits report on GST , recommends standard rate of 17-18%.

February 2016: West Bengal FM Amit Mitra named chairman of the committee.

July 2016: Empowered committee of state FMs and Union Finance Minister Arun Jaitley meet. Agree on scrapping 1% additional duty. Cabinet clears revised Constitution Amendment Bill on GST, dropping 1% tax and providing for full compensation to states for 5 years in case of losses under the GST regime.

August 2016: Congress still has reservations on dispute resolution mechanism. Government circulates draft bill to woo Congress and other Opposition parties.

August 3, 2016: Rajya Sabha passes Bill, which will go

August 8, 2016: GST bill—was taken up by Lok Sabha, with virtually all political parties backing this legislation.

August 12, 2016: Assam has become the first state to ratify Constitution Amendment Bill related to the Goods and Services Tax (GST), following its passage by both houses of Parliament during the month.

August 16, 2016: With Parliament passing the GST Bill in the just-concluded session, Union Finance Minister Arun Jaitley has now asked Andhra Pradesh and Telangana to ensure its early ratification. Mr. Jaitley has written separate but identical letters to Andhra Pradesh Chief Minister N Chandrababu Naidu and his Telangana counterpart K Chandrasekhar Rao in this regard.

August 17, 2016: Bihar Assembly on 17th August, ratified the Constitution Amendment Bill on GST after Chief Minister Nitish Kumar highlighted its benefits.

August 24, 2016: The Gujarat Assembly passed the Goods and Service Tax (GST) Constitution Amendment Bill, becoming the sixth state to pass the bill.
The ratification of the bill comes in quick succession after the Chhattisgarh assembly passed it unanimously on 22nd August.
Himachal, Assam, Jharkhand and Bihar state assemblies have also passed the Bill.

August 24, 2016: The Madhya Pradesh Assembly also passed the Goods and Service Tax (GST) Constitution Amendment Bill. MP became the seventh state in the country to ratify the historic tax amendment bill. Earlier, Madhya Pradesh, Gujarat, Bihar, Jharkhand, Assam, Himachal Pradesh and Chhattisgarh have already passed the bill in their respective assemblies.

August 31, 2016: Though the Centre is "fully geared" to usher in the goods and services tax (GST) from April 1, 2017, a section of industry seemed to have doubts about its own preparedness for the same and suggested it might need at least six months after the GST Council had frozen its decisions, the revenue secretary apprised on August 30th.

September 1, 2016: Goa became the 15th state to ratify the Goods and Services Tax (GST) Constitution Amendment Bill, paving the way for to Presidential Reference; it will then go to the Lok Sabha.

September 2, 2016: Rajasthan Assembly unanimously ratified the Constitution Amendment Bill on Goods and Services Tax (GST) passed by parliament.

September 10, 2016: Meghalaya assembly on Friday ratified the Goods and Services Constitution Amendment Bill. Meghalaya became the 17th and the second Congress-ruled state after Himachal Pradesh to ratify the GST Bill.

September 17, 2016: Government has formally notified the GST Council, which will decide on the tax rate, exempted goods and the threshold under the new taxation regime.
The council will be chaired by Union Finance Minister and have Minister in charge of Finance or Taxation or any other Minister nominated by each State Government as its member. Also Minister of State in charge of Revenue or Finance at the Centre would be a member.
Earlier this week, the Union Cabinet had approved setting up of all powerful GST Council, which is expected to thrash out a decision on all major aspects of GST roll out by November 22.
The first meeting of the GST Council will be held on September 22-23.

September 23, 2016: Centre, states spar over 3 key issues, eye April GST rollout. The crucial issue of the exemption threshold ahead of the rolling out of the landmark Goods and Services Tax (GST) was resolved with the government fixing Rs 20 lakh limit, except in the north-east where the limit is Rs 10 lakh.

October 2, 2016: A consensus reached between the Centre and states on administering 1.1 million service tax assesses in the first GST Council meeting was short-lived as it broke down. The high-powered body broadly resolved the issue of area-based exemptions and approved rules for registration and refunds under the proposed regime.
Separately, the consultative committee of Parliament was told by Finance Minister Arun Jaitley that the government is working on a target date of April 1, 2017, for the roll out of GST.

October 19, 2016: The Centre has proposed four slabs for the goods and services tax (GST) in addition to a cess on sin and luxury goods that will help it mop up close to Rs 50,000 crore to compensate states for any possible revenue loss under the new tax regime.

The GST Council discussed possible Goods and Service Tax rates, including a four-slab structure of 6, 12, 18 and 26 per cent with lower rates for essential items

the legislation to be notified by the President to the GST Council.

October 20, 2016: **The Centre and states will meet again early next month to decide on the tricky issue of GST rates, but an agreement appeared possible on imposing a cess on ultra-luxury and demerit goods to compensate states for potential revenue loss.**

November 17, 2016: **Centre circulates draft GST law. GST to subsume most central and state taxes like VAT, service tax, central sales tax, excise duty, additional customs duty and special additional customs duty. With the introduction of GST almost 7 taxes come under one net.**
Centre finally decides on 4 rates of GST – 5, 12, 18 and 28 percent. However, it is yet to decide on issue of cross empowerment to avoid dual control. Decides to keep essential items out of the purview of taxation.

November 25 – 26, 2016: **4th GST Council meet inconclusive: Debate on CGST and IGST, along with dual control and proposed anti profiteering clause. Moreover demonetization left a massive impact and states fall wary on the implementation of GST.**
Centre decides to compensate states if their revenue growth rates falls below 14 % in the first 5 years of GST roll out. The base year for calculating revenue of a state was decided as 2015-16
Centre decides to impose clean energy cess and cess on luxury items and demerit goods like pan masala, alcohol and tobacco to create an Rs 50,000 crore fund for compensating the states.

and highest band for luxury goods, even as it reached consensus on payment of compensation to states.

November 26, 2016: **Government circulates anti profiteering clause in GST so that lower taxes are shared with consumes and no tax is imposed on securities and subsidies. It would be taken up at the 5th meeting of GST council on December 2-3.**

November 28, 2016: **PM Modi allays fears of anti profiteering clause. PM says one nation one tax to benefit states. Kerala and Bengal come together to oppose GST as demonetization would be a double whammy for the poor and stressed and the state would also not receive an assured return of 14% after implementing GST.**

December 2, 2016: **5th GST council meeting. Consensus is eluded on model GST law. Finance minister raises pitch that GST has to be rolled out by 16th Sept. 2017 as on that day validity of all existing indirect tax laws will come to end. April 1 2017 is the zero date for implementing GST.**

December 11-12, 2016: **Next GST meeting**

What is the GST Bill?

The **Goods and Services Tax Bill** or **GST Bill** officially known as **The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014**, proposes a national Value added Tax to be implemented in India.

Some of the important changes in the Goods and Service Tax Constitution Amendment Bill are as follows:

- Deletion of 1% additional tax which had been earlier proposed on all inter-state supply of goods.
- Full compensation to the States for first five years towards revenue loss if any, incurred by the states due to implementation of GST. The Government had earlier proposed full compensation to States for first three years followed by 75% of loss for fourth year and 50% of the loss for fifth year.

- Disputes between the States and the Centre will be adjudicated by the GST Council which will have representation from both, Centre and the States;
- Non-inclusion of cap on GST rate in the Constitution.
- Dispute resolution mechanism with annual turnover of entities of Rs 1.5 crores or more.

The salient features of GST:

The following are the salient features of the proposed pan-India Goods and Services Tax regime that was approved by the Lok Sabha by way of an amendment to the Constitution:

1. GST, or Goods and Services Tax, will subsume central indirect taxes like excise duty, countervailing duty and service tax, cesses and surcharges on supply of goods and services and Special Additional Duty of Customs (SAD), Central sales tax as also state levies like value added tax, octroi and entry tax, luxury tax, purchase tax, entertainment tax, taxes on advertisements, lotteries, betting and gambling, state cesses and surcharges.

2. The final consumer will bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

3. As a measure of support for the states, petroleum products, alcohol for human consumption have been kept out of the purview of the GST.

4. It will have two components - Central GST levied by the Centre (CGST) and State GST levied by the states (SGST) .

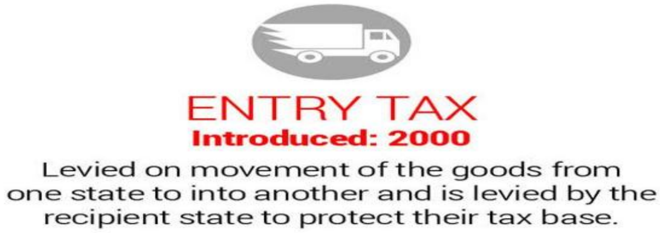
5. However, only the Centre may levy and collect GST on supplies in the course of inter-state trade or commerce. The tax collected would be divided between the Centre and the states in a manner to be provided by parliament, on the recommendations of the GST Council.

6. In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A (1) of the Constitution. The IGST would roughly be equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. Since GST is a destination-based tax, all SGST on the final product will ordinarily accrue to the consuming State.

7. The GST Council is to consist of the union finance minister as chairman, the union minister of state of finance and the finance minister of each state.

Cascading Effect on Taxation

Cascading effect of taxes is caused due to levy of different charges by state and union governments separately on the same value addition and also tax on tax. In the current multi-staged tax-structure, the following indirect taxes are levied by the centre and state separately: **Taxes levied by the Centre include: service tax, central sales tax, excise duty. Taxes levied by the state include: VAT/sales tax, octroi, state excise, property tax, entry tax and agriculture tax.** This tax structure raises the tax-burden on Indian products, affecting their prices, and as a result, sales in the international market. The new tax regime will therefore, help boost exports.



Cenvat (Introduced 2000): Levied on the manufacture or production of movable and marketable goods in India- either as a percentage of transaction value or the MRP of the goods.
Sales tax (Centre and State)(Introduced1957): Levied on the sale of a commodity that is produced or imported and sold for the first time. If sold subsequently without being processed further, the product is exempt from sales tax.

Octroi: A local tax collected by the state government or the city municipality on articles brought into a town for local use.

Excise Duty (Introduced 1985): An indirect tax levied on those goods which are manufactured in India and are meant for home consumption.

Entertainment tax: Levied on amusement, exhibitions, large commercial shows or large private festival celebrations.

Securities Transaction tax: Levied on every purchase and sale of securities that are listed on Indian stock exchanges. This would include shares, derivatives or equity oriented mutual funds units.

Service tax (Introduced 1994): Levied on services rendered by a person / service provider.

Vat (Introduced 2005): The indirect tax on consumption of goods, paid by its original producers upon the change in goods or upon the transfer of the goods to its ultimate consumers.

Entry tax (Introduced 2000): Levied on the movement of the goods from one state into another and is levied by the recipient state to protect their tax base.

Luxury Tax: Levied on luxury goods or premium products and services, which are not considered essential.

STRUCTURE IN CURRENT SCENARIO	STRUCTURE DURING GST REGIME
• Currently the Centre alone can tax 'services'. • Currently, different stages in the progression of goods in the supply chain are levied to different taxes, and there is no input tax relief for most of these, so that the price of goods gets correspondingly inflated. The taxes on goods include excise duty, VAT / CST, purchase tax (if applicable), entry tax (in various forms and names), and state cesses and surcharges. While a manufacturer's invoice does reflect excise duty and VAT / CST even now, this is only because both are indirect taxes and are collected from the customer. It can also be seen that VAT / CST is not charged on transfer of goods that is not a sale, like stock transfer; and excise duty is not charged on sale transactions but is charged only on manufacture. • Because manufacture, sale and service are at present taxed differently, there is much ambiguity and litigation over legal concepts of what constitutes: ➢ Manufacture ➢ Sale ➢ Service • At present a manufacturer's commercial invoice reflects both central excise duty and state VAT on the same goods. This is because both are indirect taxes and are collected from the customer. Conceptually, however, at present the Centre taxes 'manufacture', and thereafter the state taxes 'sale' of the goods. The result is that the central excise duty is imposed first on the goods, and the state tax comes after that, on a value that is price plus central excise duty.	• In GST it is proposed that the states as well as the Centre can tax services. Also, both Centre and states are to be explicitly empowered to levy goods and services tax, which is defined as a tax on the supply of goods or services or both. • GST will replace a multiplicity of taxes on goods, like excise duty on indigenous manufacture and on imports, VAT, CST, purchase tax, entry tax, and various cesses and surcharges. It will also replace entertainment tax (other than by local bodies), luxury tax, taxes on advertisements and taxes on lottery, racing and gambling. Furthermore, GST will be available as input tax credit. • The single tax on 'supply' will render redundant the decades-old debates on what constitutes ➢ Manufacture ➢ Sale ➢ How to tax composite transactions of service and sale. • A greater degree of clarity regarding taxability, and a corresponding reduction in uncertainty will result. • In future when the same transaction of 'supply' is being taxed by both Centre and states, the taxes will be levied simultaneously on the same value. The rate of GST in the above transaction will be 24%, split as 10% central GST and 14% state GST. • Thus there will be a reduction in the amount of VAT (to be known as SGST) payable if the rate remains the same. • GST will provide input tax relief in inter-state transactions • The major gain from GST will be extension of input tax relief to inter-state sale of goods.

What are the challenges in the implementation?

The finance ministry went all out to convince everybody that all efforts were being made to roll out the goods and services tax from April 1, 2017, and allayed fears that it would have an impact on inflation even if the rate was kept at 20 per cent. Analysts, however, are skeptical about the April 1 rollout since CGST, IGST and SGST laws are yet to be approved by the Parliament/ Legislative Assembly.

How will GST remedy the situation?

- The tax structure will be made lean and simple.
- The entire Indian market will be a unified market which may translate into lower business costs. It can facilitate seamless movement of goods across states and reduce the transaction costs of businesses.
- It is good for export oriented businesses. Because it is not applied for goods/services which are exported out of India.
- In the long run, the lower tax burden could translate into lower prices on goods for consumers.
- The Suppliers, manufacturers, wholesalers and retailers are able to recover GST incurred on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices for consumers.
- It can bring more transparency and better compliance.
- Number of departments will reduce which in turn may lead to less corruption
- More business entities will come under the tax system thus widening the tax base. This may lead to better and more tax revenue collections.
- Companies which are under unorganized sector will come under tax regime.

Here is the list of things that would become expensive and cheaper after the application of the bill:

Smalls cars and mini SUVs can become cheaper: Currently, around 30 to 40 per cent tax is levied on cars. Under GST, around 18 per cent tax would be levied. So, mini SUVs would become cheaper by upto Rs 45 thousand. Small car owners would also be benefitted.

Consumer durables to be cheaper: Around 12.5 per cent excise tax and 14.5 per cent VAT is applicable on consumer durable like AC, fridge, washing machine, microwave oven. With GST, their prices would come down.

Industries to benefit: After GST, industries would not have to pay 18 different kinds of taxes. The procedure to fill the tax would be easy unlike previous tax regime.

FMCG products to be cheaper: According to analysts, taxes on FMCG companies would come down to 18-20 per cent from 28-30 per cent. This would help bring the prices of their products down.

Cinema tickets to be cheaper: Movie tickets would become cheaper as entertainment tax would be decreased.

Packaged food to be expensive: 4-6 percent duty is applied on tea-coffee and many other packaged foods. After GST, they can become expensive by 12 per cent.

Clothes and ornaments can be expensive: On gold and gems ornaments, a duty of 3 per cent is levied. On clothes, 4-5 per cent VAT is applied. The prices of these articles can increase.

All the services to be more expensive: 15 per cent tax is levied on mobile bills, credit card bills and all the other services. They can become more expensive.

SECTORS BENEFITTING FROM GST

AUTOMOBILES

Largely positive for demand, as it will lead to a 10-17 per cent fall in prices, assuming an 18 per cent GST rate. Margin benefits to accrue for tractors, as these can claim set-off against taxes paid on input. Organized battery and other spares would become more cost competitive and gain market share. **Stock Impact**: Positive for Maruti Suzuki, Hero MotoCorp, Exide, Amara Raja, Eicher Motor, Mahindra & Mahindra, Bajaj Auto. Negative for Ashok Leyland.

FMCG

GST will be positive for household and personal care space, as the effective tax rate reduces by 200-500 basis points (bps), apart from reducing warehousing and logistical requirements. However, working capital for retailers, and additional tax rates for jewellery and cigarette manufacturers are negatives. **Stock Impact**: Positive for Hindustan Unilever, Emami, Godrej Consumer. Negativefor Titan, Bata, ITC.

LOGISTICS

Passage of GST will lead to elimination of central sales tax and inter-state value-added tax arbitrage possibilities. This will lead to consolidation of warehouses and increased efficiencies in the logistic chain. **Stock Impact:** Positive for Container Corporation of India, Adani SEZ, Gujarat Pipav Port (longer term)

INFRASTRUCTURE

Clarity on works contract taxation is the key benefit for the sector. This could reduce litigation, as it eliminates the difference between sales and services.

Stock Impact: Positive for Larsen & Toubro (L&T).

CONSUMER DURABLES

Consumer durables will benefit from improved logistics. Direct benefits up to 200-300 bps in cost savings may accrue. A significant portion of direct benefits will be passed on to end consumers because of a highly competitive market.
Stock Impact: Positive for Voltas, Havells ,Cromptn Greaves.

OIL & GAS

Key petroleum products like crude, natural gas, high speed diesel and ATF have been kept out of GST. Clarity is awaited for others. Compliance costs are likely to rise because of dual indirect tax mechanism. **Stock Impact**: Neutral. Do not foresee any meaningful change on oil & gas companies.

CEMENT

Overall tax incidence on the sector could decline. The sector will also benefit from expected decline in logistic costs. Firms can be expected to pass on the benefits, given that demand and plant utilization levels are picking up.
Stock Impact: Positive for most Companies.

WIND POWER

GST will be negative for wind, turbine generator manufactures like Suzlon and InoxWind, as pressure on developer margins and internal rates of return could eventually force reduction in prices and

realizations, up to 10-13 per cent. However, if components are included in the exemption list, the impact of GST will be nullified.
Stock Impact: Negative for Suzlon, Inox Wind.

UTILITIES
Exclusion of “sale of electricity” from GST could potentially raise the cost of coal-fired and renewable energy for Discoms. Profitability of independent power producers selling via medium/long-term PPAs is unlikely to be dented as cost escalation would likely to be passed on.
Stock Impact: Positive for CESC , negative for JSW Energy.

PHARMACEUTICALS
GST rollout could be negative for the sector, as it is likely to increase indirect tax. Analysts say indirect taxes paid by pharma companies could increase by 60 per cent and MRP by four per cent.
Stock Impact: Negative for Alkem, GlaxoPharma.

How will GST benefit West Bengal?

- Net consuming states like West Bengal and Kerala will benefit from the GST while net producing states like Gujarat, Tamil Nadu and Maharashtra will stand to lose because GST would be a destination-based tax and not origin-based as the present dispensation was. West Bengal being a net consuming state stand to gain significantly from introduction of GST.
- Because of strategic location and infrastructure, West Bengal can be warehousing hub for entire North-East region
- Any preferential treatment for infrastructure under GST can largely benefit West Bengal with a huge investment plan on infrastructure
- GST would enhance tax compliance and income tax collection in West Bengal which in turn increase the allocation of funds by Centre
- Having taken the lead on introduction of GST, West Bengal has positioned itself as a progressive and investor friendly State
- GST is expected to remove trade barriers between states and bring in uniform policy across the nation.

UNDER GST REGIME	MANUFACTURING STATES	CONSUMER STATES
ADVANTAGES	• **One tax**: The common base for charging GST for Centre and the state will consist of an amalgamation (subsuming) of several central taxes and state taxes which will enable them to give one tax rather than giving about 16 taxes. • **Common market:** There will be a common market in the absence of CST and entry tax. At present, goods are being sold mostly within the state in order to avoid paying the CST which is not credited at the stage of manufacture or in course of trading. Good quality products being manufactured in one part of the country will find more market in the farthest part of the country because there will be no CST and no entry tax. • **Distinction between goods and services will go**: In some cases, there is a distinction between goods and services	• GST is a transparent Tax and also reduce numbers of indirect taxes. With GST implemented a business premises can show the tax applied in the sales invoice. Customer will know exactly how much tax they are paying on the product they bought or services they consumed. • GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower. This in turn will help Export being more competitive. • GST can also help to diversification of income sources for Government other

	when they are sold as a package. These controversies will go. • **Invoicing will be simpler:** At present, the invoices are more detailed since taxes on goods and services are written separately for one transaction. With the introduction of GST only one rate will be written. • **No entry tax:** The abolition of entry tax will be a great boon for the movement of goods by road transport. • **Common exemptions between Centre and states:** Now the exemptions given by the Centre and the states being different, the final price becomes different in different states. In the GST regime, exemptions will be common between the Centre and the states which will make the rates of duty same all over India. • **Big central excise tariff will go:** The big and fat central excise tariff has got eight digit classifications like 44079990, 76069110. They attract different rates many times. All these will be replaced by one rate. • **Concept of manufacture will go:** Manufacture is a highly complicated concept. It is defined mostly by judgments of Supreme Court and high courts. It is a den of controversy. The concept of manufacture will be replaced by the concept of value added which is numerically measureable and is not controversial. • **Classification controversies will go:** Now, classification controversies are galore since there are so many rates of duty. This problem will also go if the exemptions are limited. • **Problem of identification will go:** At present, identifying a commodity like whether it is rubber or resin, paper or board, ash, or dross dominate the proceedings since rates of duty are different. These controversies will be over. • **Undue enrichment law will go:** At present, there is a law in central excise and service tax which provide for refusing refund of higher duty paid in case the burden of higher rate of tax imposed already has not been passed on to the consumer. This is a highly litigated law which will necessarily have to go because GST will be a combination of so many taxes apart from these two taxes. And these taxes do not have the same provision. Moreover, if the unjust enrichment of law is made to apply to GST as a whole, the purpose of seamless movement of goods and services will be defeated. • **Zero rating will be more comprehensive and easier:** Even without GST, zero rating (giving relief for the input duty) is possible, but it does not give relief for some of the duties. With GST, zero rating will be more comprehensive.	than income tax and petroleum tax. • Under Goods and Services Tax, the tax burden will be divided equally between Manufacturing and services. This can be done through lower tax rate by increase Tax base and reducing exemptions. • In GST System both Central GST and State GST will be charged on manufacturing cost and will be collected on point of sale. This will benefit people as prices will come down which in turn will help companies as consumption will increase. • Biggest benefit will be that multiple taxes like octroi, central sales tax, state sales tax, entry tax, license fees, turnover tax etc will no longer be present and all that will be brought under the GST. Doing Business now will be easier and more comfortable as various hidden taxation will not be present.

DISADVANTAGES	• Foremost among continuing worry is loss of revenues, despite assurances that all losses will be compensated. It is the manufacturing states that are more worried than the others. This is because value added tax, or VAT, the current taxation regime in states, is an origin-based tax while the good and services tax (GST) is a destination-based tax. In the origin-based tax system, tax is collected where the supplier of good is located while in the destination based system, tax in collected where the consumer of a product is located. • Tamil Nadu, Maharashtra and Gujarat are among the more industrialized states and they fear big losses of revenues on movement of goods made in their states. • Tamil Nadu government says it will lose Rs 3,500 crore annually due to abolition of CST and wants compensation from the Centre. • Local lorry owners are not fully confident of reaping benefits from GST. For trucks to derive full benefits of GST, petroleum and its associated products must form part of GST.	• Critics say that GST would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent. • Some Economist says that CGST, SGST and IGST are nothing but new names for Central Excise/Service Tax, VAT and CST and hence GST brings nothing new for which we should cheer.

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